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RUEHBUL/AMEMBASSY KABUL 0018  
RUEHML/AMEMBASSY MANILA 0003  
RUEHNE/AMEMBASSY NEW DELHI 0007  
RUEHKO/AMEMBASSY TOKYO 0002  
RUEHVEN/USMISSION USOSCE 0002

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E.O. 12958: DECL: 01/14/2018  
TAGS: [EFIN](#) [EAGR](#) [PREF](#) [TI](#) [IMF](#)  
SUBJECT: TAJIKISTAN PLEADS FOR HELP TO RESOLVE  
SELF-INFLICTED COTTON FINANCE CRISIS

REF: 07 DUSHANBE 1753

11. (SBU) Summary: President Rahmon's top policy advisors, Erkin Rahmatulloev (Foreign Affairs) and Matlubkhon Davlatov (Economic Affairs), requested a meeting with the Ambassador January 4 to smooth the way for the Tajik delegation's meetings with International Monetary Fund and World Bank officials in Washington January 14-16. Davlatov will lead the official Tajik delegation to Washington to apologize to the Fund for misreporting on prior programs (reftel) and to secure a new financing facility. A new Fund program is essential, according to Davlatov, in order to secure commercial financing for this year's cotton crop and protect livelihoods of Tajikistan's impoverished farmers. Davlatov asked for assistance in arranging the delegation's meetings with State and Treasury officials prior to their Fund and World Bank meetings in order to smooth the way with the U.S. Executive Director for the Fund. Central Bank Chairman Alimardonov followed up by briefing Embassy staff about efforts "already underway" to reform the agricultural sector here. Alimardonov is the likely fall guy if the Tajik government fails to garner the Fund's approval for a new program, or if the Fund forces extremely strict conditions on Tajikistan. End summary.

Davlatov Pleads for U.S. Sympathy and Support  
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12. (SBU) Foreign Policy Advisor Rahmatulloev invited the Ambassador to an urgent meeting January 4. He turned the meeting over to Economic Policy Advisor Davlatov, who requested U.S. support for the January 14-16 Tajik finance delegation to Washington. Davlatov delivered his briefing, painting a bleak and over-simplified picture of the coming agricultural cycle, should Tajikistan be unable to secure adequate financing. Tajikistan, he explained, is still in the early stages of transition to a market economy, and Tajik farmers remain poor and dependent on cotton. Without adequate financing, the farmers would be unable to plant either cotton or any other crops. He said that there are many places in Tajikistan where cotton is still the most profitable crop. The Ambassador pointed out that the investors and "futurists" -- not the farmers -- were reaping any profits and that those who pocketed such profits over the years should be putting up their own resources to resolve this crisis.

13. (SBU) Davlatov said a new agreement with the

International Monetary Fund was essential in order to secure commercial financing for this year's crop cycle. (Note: Most farmers should already have plowed their land for cotton in November and December, with planting taking place typically from February through March. End note.) According to Davlatov, even the Chinese Government indicated that it might condition future concessional lending on Tajikistan being in good standing with the Fund. We later asked the resident Chinese Charge whether official financial assistance from Beijing would be conditioned on a Fund program. He acknowledged that China is concerned about the financial situation in Tajikistan but stopped short of disclosing any conditionality.

14. (SBU) Davlatov repeated several times that Tajikistan would be ready to accept any conditions the Fund demanded. Qwould be ready to accept any conditions the Fund demanded. He acknowledged that Tajikistan had misreported to the Fund (six times, reminded the Ambassador) and placed the blame for those inaccurate reports on Central Bank Chairman Alimardonov who was not present. Davlatov explained that he was especially concerned about the U.S. Executive Director to the Fund, Meg Lundsager, who wields much influence at the Fund and is "watching Tajikistan very closely." Davlatov's delegation to Washington will include Central Bank Chair Alimardonov and Deputy Finance Minister Nuraliev (married to President Rahmon's daughter Ozoda) from Dushanbe, along with Washington-based Tajik Ambassador Shirinov and Tajik advisor to the Fund and World Bank, Zavkijon Zavkiev.

15. (SBU) The Ambassador emphasized that given Tajikistan's track record of misreporting to the Fund and dragging its feet on agricultural reforms, we and the international financial institutions will correctly demand to see concrete actions, not just more verbal reassurances. When Davlatov

said that addressing cotton sector reform was a presidential priority, the Ambassador said those priorities were not as readily apparent to observers as the new presidential palaces and dachas costing hundreds of millions of dollars. Davlatov seemed ready for the comparison, saying he remembered the Ambassador's previous remarks about ostentatious government funded projects and lavish spending.

16. (SBU) Visiting European Commission Ambassador van der Meer recounted to us his own meeting with Davlatov three days later covering the same issues. Van der Meer told Davlatov bluntly that "cotton is not the future of the country" and Europe would not support a bail-out of the cotton debt.

#### Meeting with Central Bank Chairman Alimardonov

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17. (SBU) On January 11 Bank Chairman Alimardonov called us to the Central Bank on short notice, to brief us about the Tajik Government's efforts to restructure the cotton sector and to promote "freedom to farm" (allowing farmers to grow crops other than cotton). He explained to us that farmers would from now on be free to work with whatever banks and buyers they wished and that legislation defining their land use rights would be worked out within the month of January. Note: Presidential Decree 111 already established "freedom to farm" principles last year, but government officials, especially at the local levels, continued to intervene to enforce cotton production quotas. The donor community in Dushanbe and the International Financial Institutions generally give the government poor marks for demonstrating adequate political will to reform the agricultural sector. End note.

18. (SBU) Alimardonov launched into a plea for financial assistance to get Tajikistan out of its cotton debt predicament. He acknowledged that the Central Bank, through its misreporting and ill-advised loan guarantees (reftel), had gotten Tajikistan into its current mess. He repeated Davlatov's message that Tajikistan would accept "all conditions" imposed by the Fund in order to obtain financial

support to pay its debts -- including restructuring of the Central Bank, its rules, and its Chairman. He echoed Davlatov's talking points, saying this was the president's position, not just Alimardonov's. He said that cotton debt was the biggest problem Tajikistan faced right now, and that the Central Bank's disastrous involvement in the cotton sector was generally counter-productive. Tajikistan is on the edge of the abyss if it could not resolve its cotton debt issue, he said, illustrating his point by rolling a pen ("that's us") off the edge of the conference table. PolEcon Chief advised Alimardonov that, given the history of misreporting and misgovernance, he should expect difficult discussions and tough conditions from the Fund and World Bank in Washington. Alimardonov nodded contritely.

19. (C) Separately, PolEcon Chief received a call on January 11 from Hans Waldren of the Asian Development Bank in Manila. Waldren worked for five years in Dushanbe for the Asian Development Bank and the Fund. He called "in a personal capacity" to suggest that a basic condition for any Fund bailout of Tajikistan be that Tajikistan accept a non-Tajik Qas Central Bank Chairman for a period of five years. Waldren said that his experience and Tajikistan's track record of repeated Central Bank misreporting and misfeasance convinced him that any Tajik, no matter what his level of competence, would eventually cave in to pressure from President Rahmon to misuse Central Bank funds for pet presidential projects or to bankroll economically unsound policies such as financing cotton quotas. In short, Waldren said, the current debt crisis would be repeated if a Tajik remained Central Bank Chairman. Waldren said he discussed this idea with the Fund's regional director on January 10th, and that the regional director supported the idea. He also planned to raise it with the Australian Executive Director at the Fund. (Waldren is Australian.) He called us because he sought U.S. support for this condition, as the United States "holds the whip" at the Fund. The British and Swiss Development representatives in Dushanbe later told us that Waldren had contacted them too to seek their support for a non-Tajik Bank Governor. They favored the idea.

110. (C) Comment: Alimardonov's neat gesture of pushing his pen off the table probably applies as much to him personally as to Tajikistan overall. It appears he is being set up as the fall guy for the Government's cotton debt problem. Alimardonov certainly is an apt candidate for that role, given his signature is on the falsified Central Bank reporting to the Fund. Like most high-level officials here, Alimardonov is rumored to be personally corrupt. He owns large areas of agricultural land and horse farms -- often used to entertain the president's official guests -- reputedly paid for by corrupt dealings in the Central Bank. But Hans Waldren gets to the heart of the problem, which is President Rahmon's desire to use Government resources for personal projects and lavish entertaining, and the irresistible pressure he can place on the Central Bank and any other institution in Tajikistan with substantial sums of money. A non-Tajik Central Bank Chairman would be a very useful measure, as would conditioning any debt assistance on a halt to presidential show projects. Both conditions would be but very difficult for President Rahmon to accept.

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